

PUBLIC DISCLOSURE

OCTOBER 31, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

WORCESTER FIRE DEPARTMENT CREDIT UNION

34 GLENNIE STREET
WORCESTER, MA 01605

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of</p>

Banks concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire local community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **WORCESTER FIRE DEPARTMENT CREDIT UNION** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated " Satisfactory. "

A CRA rating of "Satisfactory" is assigned. An industrial institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its membership, including low and moderate-income members, in a manner consistent with its resources and capabilities.

This examination was conducted utilizing three performance criteria for industrial institutions: 1) Average Loan to Share ratio, 2) Lending to Borrowers of Different Incomes and 3) Fair Lending. Two geographical criteria were not considered as the institution defines membership by affiliation rather than location.

The credit union's average net loan-to-deposit (share) ratio for the previous four semi-annual periods is 63.7 percent and meets the standards for satisfactory performance at this time.

Analysis of the credit union's lending activity by borrower income revealed that 2.0 percent of real estate-related loans and 12.7 percent of a consumer loan sample were granted to low and moderate-income members. The credit union was found to meet the standards for satisfactory performance under this criterion.

The credit union's fair lending performance is also considered to meet the standards for satisfactory performance.

PERFORMANCE CONTEXT

Description of Institution

Worcester Fire Department Credit Union is a Massachusetts chartered credit union, which was incorporated on July 6, 1937. The credit union was established to serve the credit needs of the employees and associates of the Worcester Fire Department. During this current examination, the credit union relocated its sole office from 2 Eastern Avenue in Worcester, Massachusetts to its current location at 34 Glennie Street in Worcester, Massachusetts. Office hours are from 7:00AM to 3:00PM Monday through Friday. ATM service is available at the Glennie Street location at the credit union's drive-through facility. The credit union issues its own ATM cards and members are allowed eight free ATM transactions monthly if they are enrolled in the credit union's Direct Deposit Program.

As of June 30, 2002, the institution had total assets of \$27.6 million, of which total loans represent \$13.8 million or 50.0 percent of total assets. The following table depicts the credit union's loan portfolio composition based on the June 30, 2002, NCUA Call Report of Condition.

LOAN PORTFOLIO COMPOSITION		
LOAN TYPE	\$ AMOUNT (000's)	%
First Mortgage Loans	5,672	41.1
New Vehicle	4,217	30.5
Second Mortgage Loans	1,432	10.4
Personal Loans	818	5.9
Share Secured Loans	588	4.2
Used Vehicle	540	4.0
Credit Card/ Lines of Credit	540	3.9
TOTALS	13,807	100%

First mortgage loans comprise 41.1 percent of the entire loan portfolio, while new vehicles and second mortgage loans represent 30.5 percent and 10.4 percent, respectively. Personal loans comprised 5.9 percent of institution's total loan portfolio. Share secured loans, used vehicles and credit cards made up the remainder of the portfolio representing 12.1 percent of the dollar volume of the loan portfolio.

Competition within the credit union's assessment area includes a variety of community-based and industrial credit unions, loan companies, and community banks. Given its asset size and financial capacity, Worcester Fire Department Credit Union has been successful in helping to meet the credit needs of its assessment area/membership.

The Division of Banks last conducted a CRA exam on November 16, 1998, which resulted in the Worcester Fire Department Credit Union receiving a rating of Satisfactory.

Description of Assessment Area

The Community Reinvestment Act (CRA) regulation requires that each financial institution delineate one or more assessment area(s) within which the institution's record of helping to meet community credit needs is evaluated. Under the Massachusetts CRA Regulation, 209 CMR 46.41(8) a credit union whose membership by-law provisions are not based on residence may delineate its membership as its assessment area. Worcester Fire Department Credit Union is an industrial credit union and has a membership by-law provision based primarily on the employment/occupation of its members. Consequently for the purpose of this evaluation, the credit union's membership by-laws delineate the institution's assessment area(s).

The Worcester Fire Department Credit Union's by-law states that "Membership in this corporation is limited to those employees of the Worcester Fire Department, the Worcester Fire Department Credit Union and associations composed of such employees of the Worcester Fire Department and to those persons who are retired on pension or have resigned in good standing from the Worcester Fire Department; except that persons not so eligible for membership may have joint accounts with members of the Credit Union."

The Worcester Fire Department Credit Union currently has 800 members; among the current members, company employees represent about 33.4 percent of the membership, retirees and former employees about 25.6 percent, and family members approximately 41.0 percent of current membership.

PERFORMANCE CRITERIA

1. LOAN TO DEPOSITS

The first criterion evaluated is the credit union's net loan to total deposit (share) ratio. The average net loan to total deposit ratio was determined to be 64.0 percent and is considered to meet the standard for satisfactory performance.

The exam analysis incorporated net loans to total share figures from the institution's NCUA Call Report of Condition for four semi-annual periods. The periods reviewed covered December 31, 2000, to June 30, 2002.

WORCESTER FIRE DEPARTMENT CREDIT UNION LOAN TO DEPOSIT ANALYSIS			
PERIOD	NET LOANS(\$\$)	SHARES(\$\$)	RATIO
December 2000	11,655,051	17,055,795	68.3%
June 2001	12,284,147	18,643,494	65.9%
December 2001	12,927,217	20,558,410	62.9%
June 2002	13,786,403	23,949,235	57.6%

The following table provides net loans to deposit ratios for industrial credit unions within the City of Worcester. The ratios shown are calculated from NCUA Call report figures as of June 30, 2002. Worcester Fire Department Credit Union ratio of 57.6 percent was adequate when compared to the other institutions.

COMPARATIVE LOAN TO SHARE RATIOS	
Worcester Postal Credit Union	64.0%
Worcester Fire Dept. Credit Union	57.6%
Worcester Police Credit Union	40.2%

In summary, the net loan-to-share ratio appears to be adequate given the credit union's scope of operation. Based on the above information and Worcester Fire Department Credit Union's capacity to lend, its asset size, the types of loans available, its limited resources and lending strategy, the credit union's loan to share ratio meets the standards for satisfactory performance.

2. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

The second performance criterion evaluates the extent to which the institution lends to members of different income levels, particularly members of low- and moderate- income. Real estate and consumer lending activities were analyzed to determine the institution's performance. The credit union's performance under this criterion was found to be reasonable and to meet the standards for satisfactory performance.

The distributions of real estate and consumer loan originations were reviewed and compared to the median Family Household Income (FHI) for the Metropolitan Statistical Area (MSA) in which the property is located (or the members resides) to determine borrower income levels. Borrowers qualify as low-income below 50 percent of median income, moderate-income between 50 percent and 79 percent of median income, middle-income between 80 and 119 percent of median income, and upper-income at 120 percent or more of median income.

The majority of members reside within the Worcester, MA Metropolitan Statistical Area (MSA). The Worcester, MA MSA Median Family Household Incomes (FHI) for 2000, 2001, and 2002 are \$54,400, \$57,000 and \$58,400, respectively.

Real Estate Lending

This section reviews the distribution of the credit union's real estate loan originations by borrower' income levels. Worcester Fire Department Credit Union granted 101 mortgage loans totaling \$5,858,000 in 2000, 2001 and year-to-date October 2002.

The information included in the table below indicates that, by number, 2.0 percent of the loans were made to low and moderate-income members and the remaining loans or 98.0 percent were to middle and upper-income members.

Real Estate Loan Originations by Income of Borrower by Number

% OF MEDIAN MSA INCOME	2000		2001		Y-T-D 2002		TOTAL	
	#	%	#	%	#	%	#	%
<50%	1	2.3	0	0.0	0	0.0	1	1.0
50% - 79%	1	2.3	0	0.0	0	0.0	1	1.0
80% - 119%	14	31.8	11	27.5	4	23.5	29	28.7
120% >	28	63.6	29	72.5	13	76.5	70	69.3
TOTAL	44	100%	40	100%	17	100%	101	100%

Source: LAR Data 2000 - Y-T-D 2002

The information included in the table below indicates that, by dollar amount, 0.9 percent of the loans were to low and moderate-income members and the remaining loans representing 99.1 percent were to middle and upper-income members.

Real Estate Loan Originations by Income of Borrower by Dollar Amount

% OF MEDIAN MSA INCOME	2000		2001		Y-T-D 2002		TOTAL	
	\$(000)	%	\$(000)	%	\$(000)	%	\$(000)	%
<50%	11	0.8	0	0.0	0	0.0	11	0.3
50% - 79%	38	2.5	0	0.0	0	0.0	38	0.6
80% - 119%	358	23.6	583	24.6	385	19.5	1,326	22.6
120% >	1,107	73.1	1,784	75.4	1,592	80.5	4,483	76.5
TOTAL	1,514	100%	2,367	100%	1,977	100%	5,858	100%

Source: LAR Data 2000 - Y-T-D 2002

The distribution of mortgage loans among members of different income levels indicates that upper income families received the majority (69.3% by number and 76.8% by dollar amount) of these loans. Middle income families received the second largest portion (28.7% by number and 22.6% by dollar amount). Low-income and moderate members received the smallest portion (2.0% by number of loans and 0.9% by dollar amount). Given the salary ranges of the Worcester Fire Department, this distribution is determined to be reasonable.

Consumer Lending

Consumer loans granted in 2000, 2001 and Y-T-D 2002 were also sampled and reviewed for borrower income levels. Worcester Fire Department Credit Union granted 435 consumer loans totaling \$3.4 million in 2000, 465 consumer loans totaling \$3.6 million in 2001, and 227 consumer loans totaling \$830,000, Y-T-D 2002. A sample of 110 loans totaling \$1,313,000 was taken to represent consumer lending for the current examination period.

The following table provides a breakdown of the sample of consumer loans originated by applicant income level. This analysis indicated that 4.5 percent was granted to low-income members and 8.2 percent was granted to moderate-income members.

Consumer Loan Originations by Income of Borrower by Number

% OF MEDIAN MSA INCOME	2000		2001		Y-T-D 2002		TOTAL	
	#	%	#	%	#	%	#	%
<50%	1	2.8	2	5.5	2	5.5	5	4.5
50% - 79%	0	0.0	5	13.5	4	10.9	9	8.2
80% - 119%	20	55.5	11	29.7	24	64.7	55	50.0
120% >	15	41.7	19	51.3	7	18.9	41	37.3
TOTAL	36	100%	37	100%	37	100%	110	100%

Source: in-house files

The information included in the table below indicates that, by dollar amount, 2.0 percent of the consumer loans were to low-income members and 5.4 percent were to moderate-income members.

Consumer Loan Originations by Income of Borrower by Dollar Amount

% OF MEDIAN MSA INCOME	2000		2001		Y-T-D 2002		TOTAL	
	\$(000)	%	\$(000)	%	\$(000)	%	\$(000)	%
<50%	2	0.5	2	0.5	23	5.3	27	2.0
50% - 79%	0	0.0	51	11.8	21	4.9	72	5.4
80% - 119%	205	46.0	178	41.1	301	69.1	684	52.2
120% >	238	53.5	202	46.6	90	20.7	530	40.4
TOTAL	445	100%	433	100%	435	100%	1,313	100%

Source: in-house files

The credit union's consumer lending distribution is represented in all categories of member income levels. Middle income members received the largest segment (50.0% by number and 52.2% by dollar amount), while low and moderate income members combined received the smallest percentage (12.7% by number and 7.4% by dollar amount) of the consumer loans granted. Loans granted to upper income members represented 37.3 percent by number of loans granted and 40.4 percent by dollar of loans granted.

It is noted that the majority of the consumer loans were granted to single applicants. Therefore, the percentage of originations occurring in low and moderate-income levels would be higher than that of residential mortgage originations, where the income is usually the result of combined incomes and where the comparison is made to the standard of median family income.

In conclusion, the credit union's distribution of mortgage and consumer loans by borrower income levels demonstrates that the majority of these loans are granted to upper income members. This distribution is reasonable given the income levels of the majority of the membership. Consequently, the credit union's lending for this criterion meets the standards for satisfactory performance.

3. FAIR LENDING POLICIES AND PRACTICES

The credit union's small size, restricted resources and financial situation limit its ability to meet the requirements of the Division's fair lending policy. The credit union's staff training is adequate. However, outreach, marketing, credit products and underwriting standards are directly affected by resources and limited product offerings. The institution has developed a second review process in which all loans considered for denial are referred to the Credit Committee prior to issuing a notice of denial.

The credit union's marketing activity includes placing information on its credit products and services on bulletin boards located in the various departments of the Worcester Fire Department's houses and offices. Lobby brochures are also provided in its main office. The credit union also includes statement stuffers in correspondence sent out to the membership. The above activities keep the membership informed of new product offerings as well as credit information and savings incentives. The credit union sends the membership, on an annual basis, a questionnaire where members can express their suggestions and concerns. Management stated that the questionnaire has been well received and has assisted in the implementation of new products and services.

Due to the credit union's industrial nature and lack of demographic information concerning race, a minority application flow analysis was not completed.

Based on the foregoing information, the credit union meets the standards for satisfactory performance in this category.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

WORCESTER FIRE DEPARTMENT CREDIT UNION

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **OCTOBER 31, 2002**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 _____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.